



**EMBRACING
UNCERTAINTY, DRIVING
GROWTH – WHAT CEOs
REALLY THINK ABOUT
CURRENT CHALLENGES**

AUTHORS

Francesco Marsella, Ralf Baron, Petter Kilefors, Barnik Maitra,
Maximilian Scherr

A crisis is an opportunity riding a dangerous wind, according to a Chinese proverb – and the world is currently beset with crises. The global pandemic, climate change, and unprecedented geopolitical volatility have provided a wake-up call to all organizations, bringing a long-lasting era of worldwide economic growth to a close.

In turbulent times, business-as-usual and autopilot strategies are doomed to fail, which means CEOs and executive boards must respond quickly with new strategies and actions to keep their companies afloat and growing. They need to ride the dangerous wind and reap the opportunities.

What are they focusing on, and how do they feel about the current times? To find out, we at Arthur D. Little (ADL) have explored through in-depth research how CEOs in the largest, USD 1 billion+ revenue companies across the globe are coping with this extraordinary combination of challenges.

Many of the findings of the ADL 2023 CEO Insights study were unexpected, surprising, and even counterintuitive, particularly compared to other recent research. Despite current challenges, most CEOs we spoke to are optimistic for the future, with nearly two-thirds expecting a stable or positive global economic outlook in the next three to five years.

This disparity is due to the unique sample of the ADL study – focused solely on the world’s largest, most global organizations employing tens of thousands of staff on average.

Essentially, rather than being beaten down by the range and depth of current challenges, these global CEOs see them as opportunities and are willing to invest and innovate to drive growth, particularly through technology, such as AI, automation, and robotics. With resilience forged during the pandemic, leaders are moving beyond organizational change to address new markets and products. They are focusing on sustainability as a competitive differentiator and building ambidextrous organizations.

Uncertainty is all around us – but fearless CEOs are taking advantage of it to shape a more positive future for their businesses and wider society.

Looking in-depth at the research, what lessons can we draw for all CEOs? And what is motivating them? Who are the winners and losers? Through AI-based analysis of their qualitative answers, this article explores what CEOs of the world’s largest companies are really thinking and feeling as they proactively engage with today’s pressing challenges.

About ADL’s 2023 CEO Insights study

- The global survey interviewed 246 CEOs from companies with revenue of more than USD 1 billion.
- Over half (55%) of participating CEOs led organizations with more than 10,000 employees.
- CEOs were equally distributed among organizations in six key industries (telecoms, energy & utilities, manufacturing, travel & transportation, healthcare, and financial services).
- To give a representative, truly global view, CEOs were based in Europe, Asia, the Middle East, Africa, and South and North America.

THE RISE OF THE TIGER CEO – POSITIVE OUTLOOK, GROWING INVESTMENT

In times of crisis, CEOs can embrace one of two strategies. They can hunker down and focus on being defensive, cutting costs to protect their current position, or go on the offensive and take an aggressive approach, exploiting the opportunities that turmoil brings. Essentially, they can act as tigers or mice.

Our unique research finds that we are living in a world of tiger CEOs, who are leading our largest companies. The vast majority (63 percent) are positive and optimistic despite current challenges, and investing in growth, innovation, and entrepreneurship, driven by technology such as AI. (See Figure 1.) In addition, 41 percent say growth is essential to the long-term health of the organization.

Furthermore, our global consulting projects show that senior executives are becoming personally involved in the paradigmatic shift currently happening in many of our core industries. For example, mobility and energy are driving decarbonization, telecom companies are delivering higher-quality connectivity, and financial and healthcare organizations are fully embracing digitalization. It is encouraging to see that most CEOs of the largest companies are focusing on forward-looking activities rather than remaining in defensive mode.

This optimism is further demonstrated by investment plans, as shown

HOW DO YOU EXPECT THE GLOBAL ECONOMIC OUTLOOK TO EVOLVE IN THE NEXT 3-5 YEARS?

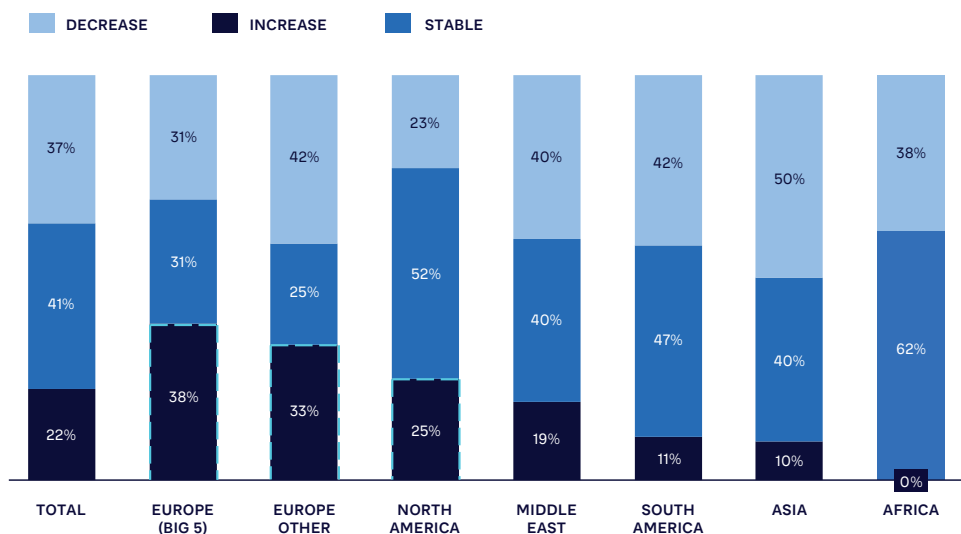


FIGURE 1: CEO VIEWS ON GLOBAL ECONOMIC OUTLOOK

in Figure 2. Nearly 30 percent plan to grow faster than the market, around three-quarters of whom will increase their investment in growth. Showing the widespread commitment to expansion, 40 percent of CEOs who are planning cautious growth are nevertheless increasing their growth investment, with 55 percent keeping it constant. Even the one in five CEOs planning a defensive approach expect to invest more relative to the last three years. Given the rising cost of borrowing, this counter-cyclical investment trend reaffirms the focus on growth.

WHAT ARE YOUR PLANS FOR INVESTMENT GROWTH RELATIVE TO THE LAST 3 YEARS?

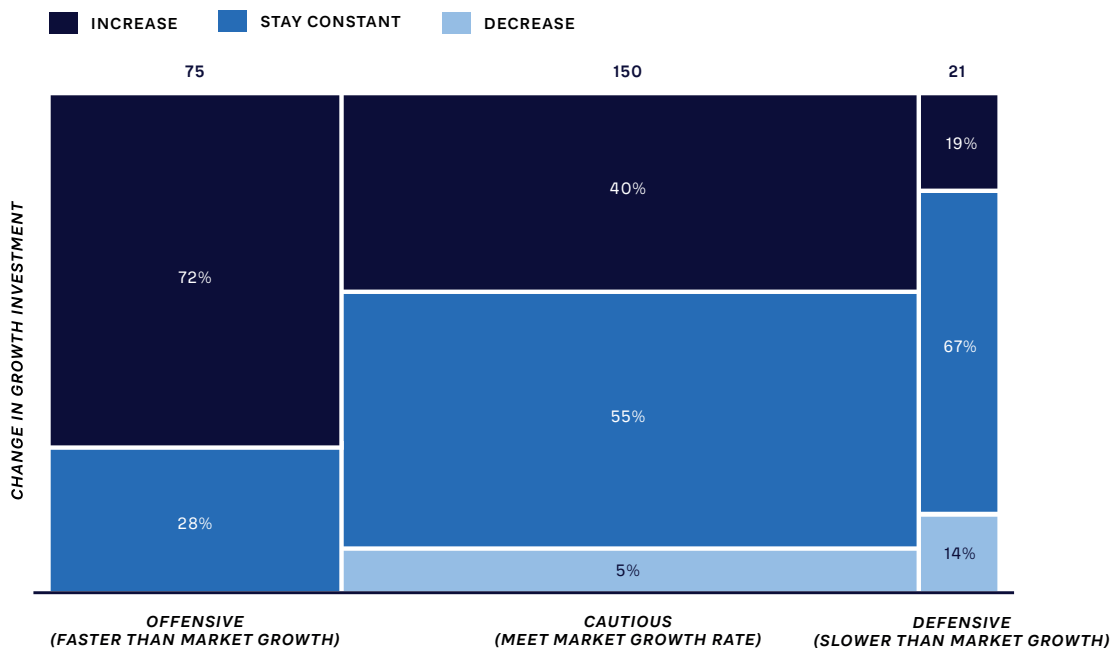


FIGURE 2: GROWTH AMBITIONS AND CHANGE IN INVESTMENT LEVELS

RENEWED FOCUS ON GROWTH AND INNOVATION AS DRIVERS

Half of CEOs are planning to enter fresh geographies over the next three years – an increase of 30 percent over the past period. Nearly one-quarter (23 percent) more are decreasing their focus on their core business to free up time and resources to concentrate on the new. Globally, over one-quarter (26%) list technology innovation as the most critical factor to growth, well ahead of raw material/energy prices (11 percent).

CEOs are moving beyond digitalization and integrating AI, automation and robotics into their strategy, as shown in Figure 3. They are also monitoring new innovations, such as the metaverse and virtual reality, as potential drivers of growth.

ADL experience supports this trend. AI applications have achieved mass-market penetration – for example, they are underpinning new modes and means of transportation, better access to mobility systems, new and bidirectional energy management systems, and automation and autonomy enabled by new telco connectivity systems. All of this will lead to progressive and radical changes to economies and societies, and CEOs are focused on understanding and acting on the implications of technology breakthroughs.

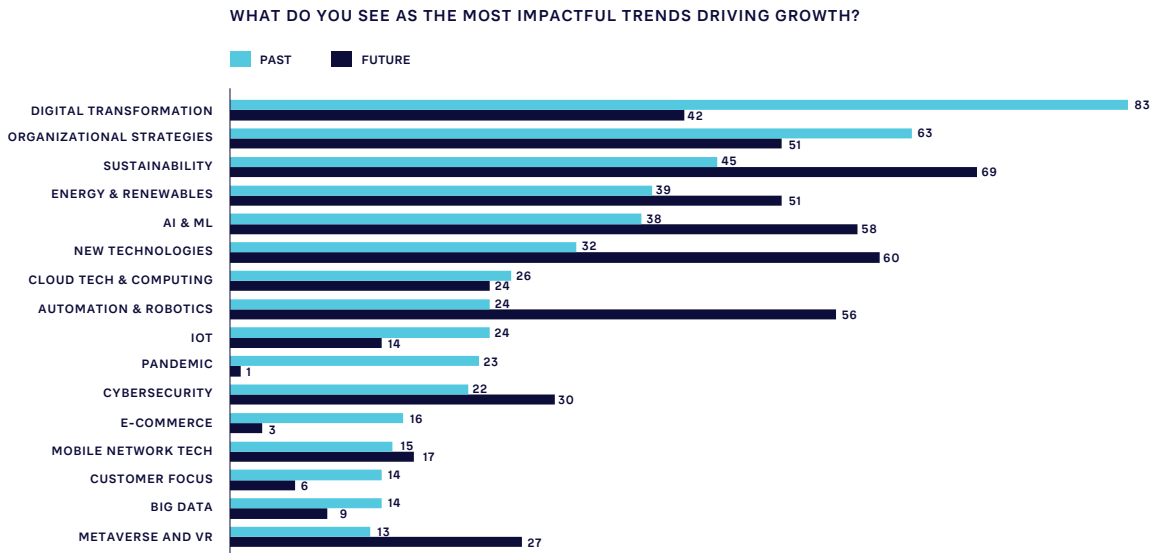


FIGURE 3: MOST IMPACTFUL TRENDS DRIVING GROWTH - PAST VERSUS FUTURE

BECOMING AMBIDEXTROUS, COMBINING INNOVATION AND EFFICIENCY

This growth focus is not at the expense of operational efficiency. An unchanged number of global CEOs (34 percent) continue to see cost optimization as a priority, creating ambidextrous organizations that combine innovation and efficiency.

Examples from the travel & transportation industry demonstrate this focus on ambidexterity. The COVID-19 crisis pushed airlines and airports into large-scale efficiency programs to achieve major cost reductions, which impacted thousands of jobs. However, at the same time, these companies are forming new partnerships to offer new services to passengers, such as combined intermodal mobility offerings (bringing together aircraft, rail, and mobility-on-demand services).

BUILDING ON POSITIVE CHANGES FROM THE PANDEMIC

Why do they feel able to pursue growth? A big factor is the transformation already brought about by the pandemic, which has created new organizational structures, skills, and capabilities. Reorganizations are no longer on the agenda, with no less than 91 percent of global CEOs feeling that their current organization is good enough to deliver on their changing business priorities.

ESG IS FINALLY BECOMING CORE

Sustainability is a final area seeing a transformation in its strategic importance. The vast majority of CEOs (80 percent) now view environment, social, and governance (ESG) as a source of competitive advantage, with 41 percent now making it more of a priority than other initiatives. Two-thirds (67 percent) reference consumer pull as a further reason for ESG strategies, the same percentage as those who pick compliance as a driver.

WINNERS AND LOSERS

Clearly the top-line findings obscure some differences between regions and industries. In the Big Five economies of Europe (Germany, France, the UK, Italy, and Spain), 38 percent expect positive global growth, perhaps surprisingly well ahead of North America (25 percent) and Asia (10 percent). In terms of industries, 60 percent of carbon-intensive manufacturing companies see sustainability as a higher priority, compared to just 28 percent of healthcare companies. Financial services is the most pessimistic sector, with 58 percent of CEOs expecting the global economic attitude to evolve negatively over the next three years.

Overall, the quantitative picture shows CEOs of the world's largest companies engaging with today's challenges and looking to seize the opportunities they bring. This is an interesting contrast to CEOs of smaller, more national/regional organizations, who, based on other research, seem to have a less positive outlook. For a more detailed breakdown of the results, visit the ADL website to download the full report.

TECHNOLOGY AND STRATEGY ARE STILL AT THE HEART OF CEO RESPONSES TO VOLATILITY

Uniquely, the research aims to understand what is driving how global CEOs of USD 1 billion+ companies think and feel by directly listening to what they are telling us. Diving deeper into the findings, we used AI to help analyze and categorize the qualitative responses of the 246 CEOs. By using a clustering algorithm to group words referring to the same concept and then applying topic analysis and a network diagram algorithm, we were able to depict relationships between terms and

topics. From this we have created graphical network representations of CEO answers, highlighting the most frequent topics and word associations covered by responses around the topic of how to deal with volatility.

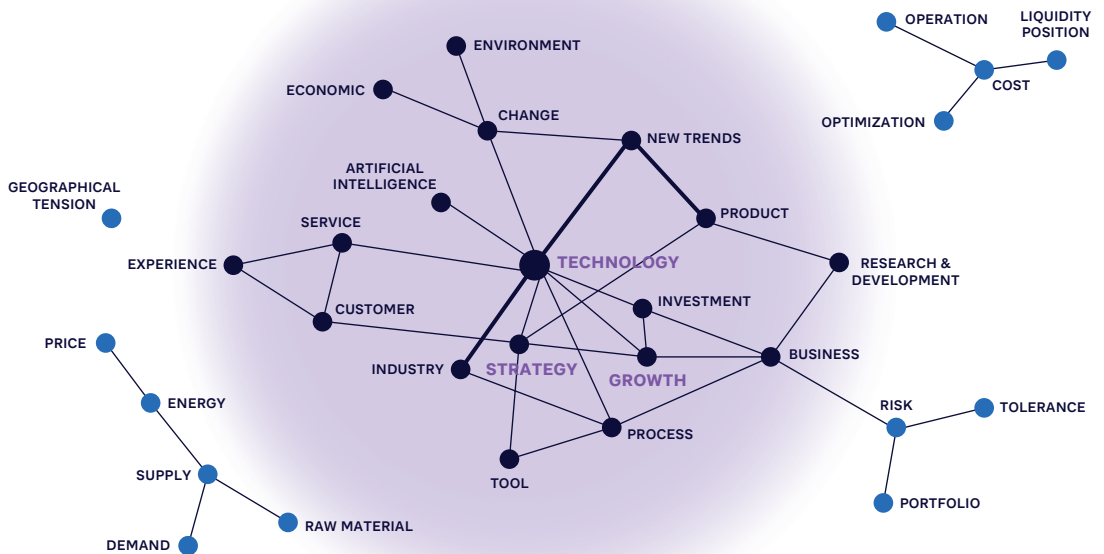


FIGURE 4: HOW WILL YOUR COMPANY DEAL WITH MARKET VOLATILITY?

The responses at the center of the network diagram, with the greatest prevalence, recur most often. The nodes on the edges are less relevant, but still present. Thick lines represent words and concepts that are strongly bonded. Altogether, the results show that technology and strategy are at the heart of how CEOs are responding to volatility and driving growth. This underpins both cost optimization and growth.

OPTIMIZATION

Technology enables organizations to optimize operations and costs, such as through AI, automation, and analytics. For example, better visibility across the supply chain provides early warning of disruption. Global CEOs are therefore putting in place the technology and capabilities to manage volatility, such as through dedicated, skilled teams focused on key areas. They understand that the pace of change is accelerating with technology, which means they need to fill capability gaps through training, recruitment, or acquisition.

“We found that we were lacking in strategy formation for market volatility; therefore, we established a team of skilled and high-quality people to manage our strategies, as well as incorporating cutting-edge technology into our process to deliver excellent service to our customers for growth.” **CEO, Telecommunications**

“We are using advanced technology to resolve issues in advance so that we have real-time supply chain visibility and can run our business more smoothly.” **CEO, Travel & Transportation**

“We need to upgrade capabilities faster than previously assumed. There will be an urgent need, for instance, for advanced digital-marketing capabilities, outpatient and at-home solutions, and effective, compliant ways to engage patients directly. We may want to target deals for digital, analytics, and healthcare-technology talent; given economic pressures across all industries just now, it may actually be easier to attract and successfully pursue acquisitions.” **CEO, Healthcare**

GROWTH

Changes in the economic outlook are dramatically altering the competitive environment and behavior of customers. CEOs recognize that this volatility also provides opportunities for growth – but

TECHNOLOGY INCLUDING AI UNDERPINS INNOVATION, ENABLING ORGANIZATIONS TO CREATE NEW PRODUCTS AND SERVICES WHILE HELPING THEM TO COPE WITH NEW EVENTS.

only through transformation and innovation. Technology including AI underpins innovation, enabling organizations to create new products and services while helping them to cope with new events, such as around raw material shortages or rising energy prices. CEOs understand

the importance of agility in seizing opportunities and reacting to events that are difficult to predict.

“We faced market volatility after the pandemic. Due to that, we made changes in our working process and strategies, leading to much better and advanced usage of tools and technologies. In our business, it is important to use cutting-edge technology to increase industry growth as well as profits.” **CEO, Healthcare**

“Typically, market volatility is a complex component that is challenging to control. We are continually preparing, planning, and integrating new technology and trends in order to minimize the effect of market volatility.” **CEO, Travel & Transportation**

“Despite challenging business conditions, we were still able to achieve dramatic growth. Our global efforts to reduce costs meant we achieved our goals three years ahead of schedule. Now we are prepared to handle all the uncertainties that may arise.” **CEO, Healthcare**

SECONDARY FOCUS AREAS

Moving toward the edge of the network diagram, our analysis highlights four secondary focus areas revealed by CEOs:

1. **Cost optimization** – through a global approach to managing costs and supply chains, with careful use of M&A to reduce costs
2. **Decision-making** – taking a proactive approach without being deflected from long-term goals

“Letting short-term anxieties trigger your investment decisions may prove costly. Being comfortable with your plans and your portfolio is important.” **CEO, Manufacturing**

3. **Managing liquidity** – cashflow is king at times of increased volatility, requiring greater oversight and caution

“Looking at the current situation, we have become more cautious in the context of the liquidity position of the organization.” **CEO, Financial Services**

4. **Focusing on the customer** – delivering a superior customer experience is critical to retaining business and minimizing the impact of volatility

“We started assisting the business where it might bring in more money by offering an unrivaled customer experience and pricing models.” **CEO, Telecommunications**

STRATEGY AND LEADERSHIP STYLE – EMBRACING DIVERSITY AND FOCUSING ON ACCESS TO TALENT

As we’ve detailed above, CEOs see growth and diversification as central to reaching their business goals. Achieving this starts with people, and, as during the pandemic, CEOs recognize the importance

CEOS SEE GROWTH AND DIVERSIFICATION AS CENTRAL TO REACHING THEIR BUSINESS GOALS.

of communication – sharing their goals across the organization to increase productivity, while at the same time, investing in employee development.

This requires changes in leadership styles to embrace diversity, different experiences, and new ways of thinking. It involves greater openness and listening to employees at all levels, while continually enhancing their skills.

“We consider diversity one of the strategies that are directly linked to business growth, and believe that it is critical to incorporate diverse viewpoints from our employees who have diverse mind-sets and ideas.” **CEO, Financial Services**

“We have followed a leadership style where we focused on improving our employees’ productivity and efficiency, whereas we should also be focused on enhancing their learning skills and their ideas for the organization’s growth.” **CEO, Energy & Utilities**

Given the focus on talent, a concern is access to the right skills. CEOs struggle to organically attract new capabilities, and are focused on acquiring them via headhunters, corporate venture capital, or direct acquisition. Under one-quarter (21 percent) of key employees are developed internally, with headhunters the favored option for 29 percent of companies. CEOs understand that a greater focus on diversity, equity, and inclusion (DEI) will help attract and retain talent over the long term, potentially requiring cultural change across the organization.

“We are transforming our services through technological innovation, and for competitive advantage, we are increasing the participation of women in our organization.” **CEO, Financial Services**

ADVICE FOR THE NEXT GENERATION – EXPLORE, ALLOW FAILURE, BALANCE WORK AND LIFE

We asked our CEOs what message they would lesson and legacy they would pass on to future CEOs and senior managers to help them better inform their actions and leadership styles. Responses focus around three key areas – always exploring, not fearing failure, and finding a strong work/life balance.

BE OPEN TO THE NEW

Across the board, CEOs urge the younger generation to keep learning, exploring new ways of working and embracing new technologies. Only by continually moving forward and following their passions will they bring about necessary changes. New technologies create new ways of solving problems – simply applying existing methods will not be enough.

“For the youngster, I would advise them to continuously try to learn and explore new things to identify their interests, and always keep their passion first.” **CEO, Financial Services**

“I would encourage them to always read about the latest technologies that will be available, and to always aim to learn new skills that are relevant to their interests.” **CEO, Energy & Utilities**

FAILURE AS A POSITIVE

Multiple CEOs stress that failure is crucial to reaching success, teaching important lessons for life and work as people learn from their mistakes.

"On the path to success, understand that failure is important. Do not get disappointed with any failures, and accept it as a step closer to your goals." **CEO, Telecommunications**

BALANCING WORK AND HOME LIFE

Demonstrating a relatively recent cultural change, CEOs underline the importance of achieving work/life balance, for both those in younger generations and current leaders. When asked what they do to relax, over three-quarters (77 percent) of CEOs say spending time with their family, alongside reading (81 percent), meditation (55 percent), and exercise, both running and in the gym.

"My key message would be to prioritize your health above all. A healthy life will enable you to accomplish much and achieve more."

CEO, Healthcare

"I would advise not only young people, but everyone, to slow down and cherish the little things in life." **CEO, Financial Services**

INSIGHTS FOR THE EXECUTIVE

Our unique research demonstrates that CEOs of the world's largest companies are focusing on the positives in the current business environment, building their strategies and embracing 10 imperatives to drive competitiveness, which are organized into five key groups:

BUILD A NEW FUTURE FOR THE COMPANY

- (1) Pursue a growth-oriented strategy.** Seize today's unique opportunities for expansion and diversification through a growth-oriented strategy.
- (2) Engage proactively with government stakeholders.** Governments are restructuring regulations to respond to societal crises. Companies must engage to shape policy and regulation, particularly around decarbonization and sustainability.

LEAD AN AMBIDEXTROUS AGENDA

- (3) Balance resource allocation between optimization and growth/renewal priorities.** Ensure adequate budget and, more importantly, leadership bandwidth to strike the right balance between innovation and optimization initiatives.
- (4) Develop programmatic M&A as a strategic lever.** While continuing to focus heavily on existing customers, CEOs should use the current drop in asset prices to launch programmatic M&A initiatives supported by thoughtful integration capabilities.

SHAPE THE ORGANIZATION

- (5) Fill capability gaps.** Proactively seek out and develop the right talents and focus on encouraging greater organizational diversity to match changing business and customer needs.
- (6) Build organizational agility.** Strive to break down silos, encourage cross-functional teaming and collaboration, and enable more risk-taking and innovation.

LEVERAGE TECHNOLOGY

- (7) Build a comprehensive technology transformation agenda.** Move beyond process digitization and embrace newer technologies such as AI, robotics, and the Metaverse.
- (8) Invest in scaling technology usage.** Fully embed new technology in business models to drive full value realization. Consider measuring return on investment in technology (RoIT) and incorporating this into company and employee dashboards.

MOVE ESG TO THE CORE

(9) Move from intent to action on ESG. Put sustainability at the core of business models and engage with customers, suppliers, and regulators. Create a culture of positive ESG actions in the company.

(10) Craft and execute bold ESG bets. ESG could be a source of future business model differentiation. Make bold ESG bets such as divesting carbon-intensive operations, investing in new technologies (such as carbon capture and storage), and creating an end-to-end green business model.

FRANCESCO MARSELLA

is a Managing Partner in Arthur D. Little's Rome office and the Head of the Global Strategy & Organization Practice.

RALF BARON

is a Partner in Arthur D. Little's Frankfurt office and the Head of the Global Partnership Committee.

PETTER KILEFORS

is Managing Partner of Arthur D. Little in the Nordic region and a member of the global Strategy & Organization Practice.

BARNIK MAITRA

is a a Managing Partner in Arthur D. Little's India & South Asia office and a member of the Strategy & Organization Practice.

MAXIMILIAN SCHERR

is a Partner in Arthur D. Little's Vienna office and the Head of the Strategy & Organization Practice in Austria.